

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

MT. CLEMENS HOUSING COMMISSION

Financial Statements

June 30, 2006

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

## TABLE OF CONTENTS

	<u>Page</u>
Management Discussion and Analysis	i
Independent Auditor's Opinion	ii
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
 <u>SUPPLEMENTAL DATA</u>	
Combining Balance Sheet	11
Combining Statement of Income and Expenses	12
Schedule of Expenditures of Federal Awards	13
Status of Prior Audit Findings	14
Report on Compliance Applicable with Requirements to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	15
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	17
Schedule of Findings and Questioned Cost	18

As management of the Mt. Clemens Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Mt. Clemens Housing Commission's financial activities for the FYE 6/30/06. This discussion and analysis letter of the Mt. Clemens Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

### **Overview of the Financial Statements**

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

### **Required Financial Statements**

The Statement of Net Assets includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

### Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

### **Mt. Clemens Housing Commission Programs:**

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 New Construction Program: Under this program, the Housing Commission issued bonds many years ago which financed the construction of a low-income elderly apartment building. The building is owned and managed by third parties. The Housing Commission has an Annual Contributions Contract with HUD to provide Housing Assistance Payments for the tenants that live in this project and acts as the contract administrator for the program to ensure conformance with HUD regulations (4350.3) and housing quality standards.

**Entity-Wide Financial Highlights:**

The following Federal Assistance was received during FYE 6/30/06:

	<u>FYE</u> <u>6/30/06</u>	<u>FYE</u> <u>6/30/05</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Public Housing Operating Subsidy	607,080	597,341	9,739	1.63%
Capital Fund Program Grants	414,885	528,967	(114,082)	-21.57%
Sec. 8 New Constr.	<u>1,849,527</u>	<u>1,846,508</u>	3,019	0.16%
Total	2,871,492	2,972,816	(101,324)	-3.41%

The subsidies for both Public Housing and Section 8 remained relatively stable. The decrease in the Capital Fund Program was due to the fact that work projects during FYE 6/30/06 progressed along at a slower pace than the prior year, thus utilizing less of our Capital Fund Program funding in FYE 6/30/06 than in FYE 6/30/05.

It should be noted that the subsidy for Public Housing should have increased much more than it did. The small increase is due to the HUD pro-ration factor. If subsidy had been paid in both years at full eligibility, we would have received \$82,060 more subsidy in FYE 6/30/06 (\$690,970) than in FYE 6/30/05 (\$608,910). However, FFY 2004 subsidy (our FYE 6/30/05) was paid at 98.1% of full eligibility. The entire FYE 6/30/05 subsidy was paid at this pro-rata rate. The FFY 2005 subsidy was paid at only 88.8% of full eligibility. FFY 2005 subsidy for our agency covered the first six months of our fiscal year, i.e. 7/1/05 - 12/31/05. The FFY 2006 subsidy was paid at only 86.02% of full eligibility. FFY 2006 subsidy for our agency covered the last six months of our fiscal year, i.e. 1/1/06 - 6/30/06. In summary, the pro-ration factors cost the Housing Commission \$11,569 in FYE 6/30/05 while the cost for FYE 6/30/06 was \$83,890.

The following represents changes in the Balance Sheet:

	<u>FYE</u> <u>6/30/06</u>	<u>FYE</u> <u>6/30/05</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Cash & Investments	1,160,965	1,148,004	12,961	1.13%
Total Current Assets, net of inter-program (due from)	1,270,648	1,166,739	103,909	8.91%
Fixed Assets, Net of Depreciation	5,827,034	6,073,829	(246,795)	-4.06%
Total Liabilities, net of inter-program (due to)	725,224	649,603	75,621	11.64%
Total Equity/Net Assets	6,372,458	6,590,965	(218,507)	-3.32%

Cash and Investments stayed relatively stable, increasing by just 1.13%.

Total Current Assets decreased mainly due to the decrease in HUD Accounts Receivable at 6/30/06 for our Capital Funds Program.

Fixed Assets increased by \$234,417; this increase represents several capital projects funded through the Capital Fund Programs. These projects include several comprehensive improvements at our two senior buildings as well as our scattered site houses (see details below). Although Fixed Assets increased by \$234,417, this was more than offset by depreciation charges of \$481,212, resulting in the net decrease stated in the above table.

Total Liabilities increased primarily due to the increase in HUD Accounts Payable for our Sec. 8 New Construction Program. At 6/30/05 the payable was \$74,722, but at 6/30/06 it stood at \$255,325. Please note that since the Sec. 8 New Construction program is actually a calendar fiscal year end and must be converted to a 6/30 year end each year in order to conform with GAAP, the HUD payable (or receivable) figures as stated at 6/30 are not the actual settlement amounts for this program at its' actual year end.

Offsetting the large increase in the HUD Accounts Payable, we also had some decreases in other liabilities such as accrued Payroll & Benefits and Accrued Utilities Payable. The combination of these increases and decreases results in the net increase in Total Liabilities as stated in the above table.

Total Net Assets is comprised of two components: Invested in Capital Assets, which mirrors the decrease in Fixed Assets, Net of Depreciation as explained above. The other component is Unrestricted Net Assets, or what used to be called Operating Reserves. This figure decreased due to the small Operating Losses sustained by the Public Housing and Sec. 8 New Construction Programs for FYE 6/30/06.

#### *Budget Analysis:*

A Low Rent Public Housing Operating Budget for FYE 6/30/06 was presented to and approved by the Board of Commissioners. Subsequently, we had reason to prepare and present a Budget Revision to the Board and they approved it. Actual results were in line with the revised budgeted amounts.

The following schedule compares the Revenues and Expenses for the current and prior fiscal years:

Statement of Revenues, Expenses, and Changes in Net Assets

	FYE 6/30/06	FYE 6/30/05	Dollar Change	Per Cent Change
<b>Revenues:</b>				
Tenant Revenue	631,633	641,449	(9,816)	-1.5%
Other Revenue	91,757	71,536	20,221	28.3%
Total PHA generated Revenue	723,390	712,985	10,405	1.5%
Operating/Soft Cost Subsidies	2,653,681	2,515,137	138,544	5.5%
Capital Grants (Hard costs)	217,811	457,679	(239,868)	-52.4%
<b>Total Revenue</b>	<b>3,594,882</b>	<b>3,685,801</b>	<b>(90,919)</b>	<b>-2.5%</b>
<b>Expenses:</b>				
Administrative	434,107	407,672	26,435	6.5%
Tenant Services	(50)	414	(464)	-112.1%
Utilities	278,076	267,596	10,480	3.9%
Maintenance	729,833	661,538	68,295	10.3%
General	141,206	131,394	9,812	7.5%
Extraordinary Maintenance	0	6,958	(6,958)	-100.0%
Housing Assistance Payments	1,747,027	1,746,508	519	0.0%
Depreciation	481,212	494,372	(13,160)	-2.7%
<b>Total Expenses</b>	<b>3,811,411</b>	<b>3,716,452</b>	<b>94,959</b>	<b>2.6%</b>
<b>Net Increase (Decrease)</b>	<b>(216,529)</b>	<b>(30,651)</b>		

*Revenues:*

Mt. Clemens Housing Commission's primary revenue sources are subsidies and grants received by HUD. Revenue received from HUD in FYE 6/30/06 for Public Housing and for Sec. 8 remained relatively flat from fye 6/30/05 to 6/30/06.

For FYE 6/30/06, revenue generated by the Commission accounted for \$723,390 (or 20% of total revenue), while HUD contributions accounted for \$2,871,492 (or 80% of total revenue). Investment Income increased due to rising interest rates.

*Expenses:*

Total Expenses for FYE 6/30/05 were \$3,716,452 while for FYE 6/30/06 the total was \$3,811,411. This represents just a 2.6% increase in our Operating Costs, an amount that can be substantially attributed to inflation. Most of the increase is attributable to Ordinary Maintenance: Contract Costs.



### **Entity-Wide Operational Highlights:**

The Mt. Clemens Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>FYE</u> <u>6/30/06</u>	<u>FYE</u> <u>6/30/05</u>
Low Rent Public Housing	286	286
Sec. 8 New Construction	281	281

During FYE 6/30/06, Mt. Clemens Housing Commission maintained a lease-up rate of 94.6% in its Public Housing Program and a lease-up rate of 95.4% in its Section 8 program. These lease-up rates are under the HUD-prescribed target of 97%. We are working to increase our lease-up rates.

During FYE 6/30/06, our Capital Fund Program work projects included:

- Senior High-Rise Building: New entrance doors; New office furniture (one office only) and a new laptop computer and printer.
- Family Housing Sites: Completion of the dwelling unit interior painting program; replacement of common area carpeting at Clemens Manor; tree trimming throughout the projects

### **Economic Factors and Next Year's Budget and Rates**

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

The Housing Commission is very concerned about the effect of the Project-Based Management and Accounting requirements on a Commission of our size. We feel that the threshold of 250 units is too low to impose Project-Based Management and Accounting. After attending training, we feel that Project Based Management can make sense at larger authorities (1,000+ units), but simply does not make sense to impose these onerous regulations on a Housing Commission of our size. We only exceed the threshold by 36 units. It will cost us more to operate our Public Housing Program on a decentralized basis than the economically efficient centralized agency-wide basis as we operate today. And, given the current trend of federal budget cutting and the trend in limiting funding for Operating Subsidy in recent years, we will likely receive fewer subsidy dollars in the future but be expected to do substantially more with it to comply with Project-Based regulations.

A fundamental finding of the Harvard Cost Study, upon which the regulations governing Project Based Management are based, is that Public Housing Agencies have been, and continue to be, woefully under funded by HUD. Yet, due to the federal budget crunch, HUD continues to only pay us only a portion of the subsidy that we are entitled to. So, to begin with, the subsidy at full eligibility is considered by the Harvard Cost Study to be insufficient; on top of that, HUD only pays us a portion of that figure. And, HUD continues to demand that we will be subject to the Project-Based regulations beginning 7/1/07. The conversion to Project Based Management will be costly, and it will be costly to maintain our Commission under Project Based Management. We will be less efficient. Inevitably, cuts in services to our residents will have to be made.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents provided that Project Based Management is not implemented. If, however, Project Based Management is implemented, we are less sure of such a positive long-term outlook for our residents.

### **Request for Information**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Earl Rickman, Executive Director  
Mt. Clemens Housing Commission  
50 Church St.  
Mt. Clemens, MI 48043

***John C. DiPiero, P.C.***

Certified Public Accountant

P. O. Box 378  
Hemlock, Michigan 48626  
Tel / Fax (989) 642-2092

Board of Commissioners  
Mt. Clemens Housing Commission  
50 Church Street  
Mt. Clemens, Michigan 48043

### **Independent Auditor's Report**

I have audited the Business Type Activities of the Mt. Clemens Housing Commission as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sample Housing Commission as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplemental Information**

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

#### **Combining Financial Statements**

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

November 3, 2006

MT. CLEMENS HOUSING COMMISSION  
Statement of Net Assets  
June 30, 2006

**ASSETS**

**C-3047**

CURRENT ASSETS

Cash	\$ 1,160,965	
Accounts Receivable, net of allowance for doubtful accounts 11,106)	2,261	
Accounts Receivable- HUD	101,147	
Prepaid Expenses	<u>6,275</u>	
 Total Current Assets		\$ 1,270,648

NON CURRENT ASSETS

Land	\$ 725,000	
Buildings	6,299,325	
Furniture, Equipment- Dwellings	31,815	
Furniture, Equipment- Administrative	156,826	
Construction in Progress	6,943,278	
Accumulated Depreciation	<u>(8,329,210)</u>	
 Total Non Current Assets		<u>5,827,034</u>

<u>TOTAL ASSETS</u>	\$ <u>7,097,682</u>
---------------------	---------------------

MT. CLEMENS HOUSING COMMISSION  
Statements of Net Assets  
June 30, 2006

**LIABILITIES**

**C-3047**

CURRENT LIABILITIES

Accounts Payable	\$ 26,143	
Accrued Liabilities	69,640	
Accounts Payable- HUD	255,325	
Accounts Payable- Other Governments	27,912	
Accrued Compensated Absences	7,718	
Tenants Security Deposit	63,872	
Deferred Revenue	4,299	
Current Portion- Long Term Debt	<u>36,333</u>	
<u>Total Current Liabilities</u>		\$ 491,242

NONCURRENT LIABILITIES

Long Term Debt- Energy Loan	\$ 200,851	
Current Portion, above	<u>36,333</u>	
	\$ 164,518	
Compensated Absences-noncurrent	<u>69,464</u>	<u>233,982</u>
<u>Total Liabilities</u>		\$ 725,224

**NET ASSETS**

Investment in Fixed Assets, net of related Debt	\$ 5,626,183	
Unrestricted Net Assets	<u>746,275</u>	
<u>Total Net Assets</u>		<u>6,372,458</u>
<u>TOTAL LIABILITIES &amp; NET ASSETS</u>		<u>\$ 7,097,682</u>

The Accompanying Notes are an Integral part of the Financial Statements

MT. CLEMENS HOUSING COMMISSION  
Statement of Revenue, Expenses, and Changes in Net Assets  
For the year ended June 30, 2006

REVENUE

Tenant Rental Revenue	\$ 610,248	
Tenant Income-Other	21,385	
HUD Grants	2,653,681	
Interest Income	42,811	
Other Income	<u>48,946</u>	
<u>Total Revenue</u>		\$ 3,377,071

OPERATING EXPENSES

Administrative	\$ 434,107	
Tenant Services	(50)	
Utility Expenses	278,076	
Ordinary Maintenance	729,833	
General Expenses	128,361	
General Expenses	<u>12,845</u>	
<u>Total Operating Expenses</u>		<u>1,583,172</u>
<u>Operating Income (Loss)</u>		\$ 1,793,899

NONOPERATING REVENUE (EXPENSES)

Housing Assistance Payments	\$ (1,747,027)	
Depreciation Expenses	<u>(481,212)</u>	
<u>Total NonOperating Revenue (Expenses)</u>		<u>(2,228,239)</u>
<u>Income (Loss) before Contributions</u>		\$ (434,340)

CAPITAL CONTRIBUTIONS

		<u>217,811</u>
<u>Changes in Net Assets</u>		\$ (216,529)

Total Net Assets- Beginning	\$ 6,590,965	
Correction of Prior Year Funding by HUD	<u>(1,978)</u>	<u>6,588,987</u>
 Total Net Assets- Ending		 \$ <u>6,372,458</u>

The Accompanying Notes are an Integral part of the Financial Statements

MT. CLEMENS HOUSING COMMISSION  
Statement of Cash Flows  
For the Year Ended June 30, 2006

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 642,838
Payments to Suppliers	(2,943,918)
Payments to Employees	(414,791)
HUD Grants	2,871,492
Other Receipts (Payments)	<u>91,757</u>
Net Cash Provided (Used) by Operating Activities	\$ 247,378

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(234,417)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 12,961
Balance- Beginning of Year	<u>1,148,004</u>
Balance- End of Year	\$ <u>1,160,965</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (216,529)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	481,212
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(90,943)
Prepaid Expenses	(5)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(2,764)
Accrued Liabilities	(103,647)
Accounts Payable-HUD	180,603
Compensated Absences	529
Security Deposits	727
Deferred Revenue	255
Current Portion Long Term Debt	<u>(2,060)</u>
Net Cash Provided by Operating Activities	\$ <u>247,378</u>

The Accompanying Notes are an Integral part of the Financial Statements



MT. CLEMENS HOUSING COMMISSION  
Notes to Financial Statements  
June 30, 2006

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Mt. Clemens Housing Commission, Mt. Clemens, Michigan, (Commission) was created by ordinance of the city of Mt. Clemens. The Commission signed an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 28-1,4	Low rent program	286 units
	Oversight of a Section 8 Program	283 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. The Financial Data Schedule lists all the programs of the Reporting Entity including component units should they exist, as defined above. Based on the above criteria, no component units exist.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, unless they conflict with Governmental Accounting Standards Board (GASB) pronouncements.

### Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

### Assets, Liabilities, and Net Assets-

#### Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due To and Due From Other Funds

Interfund receivables and payables arise from inter-program transactions and are recorded by all funds affected in the period in which transactions are executed.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	15 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 739,333
Money Market Accounts	421,457
Petty Cash	<u>175</u>
Financial Statement Total	<u>\$ 1,160,965</u>

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ 739,333	\$	\$	\$ 739,333	\$ 739,333
Petty Cash	175			175	175
C/D					
Money Market	\$ <u>421,457</u>	\$ _____	\$ _____	\$ <u>421,457</u>	\$ <u>421,457</u>
Total Cash	\$ <u>1,160,965</u>	\$ _____	\$ _____	\$ <u>1,160,965</u>	\$ <u>1,160,965</u>

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Prepaid Expenses

Prepaid expenses consists of the following:

Prepaid Insurance \$ 6,275

Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Land	\$ 725,000	\$	\$	\$ 725,000
Buildings	6,299,325			6,299,325
Furniture & Equipment-Dwellings	15,760	16,055		31,815
Furniture & Equipment-Admin	152,152	4,674		156,826
Leasehold Improvements	<u>6,729,590</u>	<u>213,688</u>		<u>6,943,278</u>
	\$13,921,827	\$ 234,417	\$	\$14,156,244
Less Accumulated Depreciation	<u>7,847,998</u>	<u>481,212</u>		<u>8,329,210</u>
	\$ <u>6,073,829</u>	\$ <u>(246,795)</u>	\$ _____	\$ <u>5,827,034</u>

Notes to Financial Statements- continued

Note 5: Accrued Liabilities

Accrued Liabilities consist of the following:

Accrued Wages & Benefits	\$ 50,063
Accrued Utilities	<u>19,577</u>
Financial Statement Total	\$ <u>69,640</u>

Note 6: Retirement

The Commission participates in the City of Mount Clemens Employees Retirement System. The fund requires all full time employees to participate. The employee contributes a percentage of their wages and the Commission contributes a percentage on their behalf. The plan allows for several retirement options, including normal retirement, disability and death benefits. For further information concerning the plan or statistical information, see the audit report provided by the City of Mount Clemens Employees Retirement System.

Note 7: Long Term Debt

The Commission entered into an energy conservation program approved by HUD. The Commission borrowed funds for energy conservation improvements; HUD will freeze the funding for utilities at the 1999 levels, therefore, the additional utility subsidy over the expected cost savings will repay the debt. The following represents the principal and interest obligations over the next five years:

Note payable, 5.85% interest payable serially until 2012.

June 30, 2007	\$ 47,119
June 30, 2008	47,119
June 30, 2009	47,119
June 30, 2010	47,119
June 30, 2011	47,119
Thereafter	7,854

Due to the unique regulatory constraints of the debt it is impracticable to estimate the fair value of debt.

Notes to Financial Statements- continued

Note 8: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 20,722,800
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	25,000
Worker's Compensation and other riders: coverage's required by the State of Michigan	

Note 9: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 10: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

## Mt. Clemens Housing Commission

30-Jun-06

MI028

Combining Balance Sheet		Low Rent 14.850	Section 8 New Construction	Capital Projects Funds 14.872	TOTAL
Line Item #					
	<b>ASSETS:</b>				
	CURRENT ASSETS:				
	Cash:				
111	Cash - unrestricted	839,508	321,457	-	1,160,965
112	Cash - restricted - modernization and developmen	-			-
113	Cash - other restricted				-
114	Cash - tenant security deposits				-
100	Total cash	839,508	321,457	-	1,160,965
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects				-
122	Accounts receivable - HUD other projects	-	-	101,147	101,147
124	Accounts receivable - other governmen				-
125	Accounts receivable - miscellaneous	-			-
126	Accounts receivable- tenants - dwelling rents	13,367			13,367
126.1	Allowance for doubtful accounts - dwelling rents	(11,106)			(11,106)
126.2	Allowance for doubtful accounts - other				-
127	Notes and mortgages receivable- curren				-
128	Fraud recovery	3,023			3,023
128.1	Allowance for doubtful accounts - fraud	(3,023)			(3,023)
129	Accrued interest receivable				-
120	Total receivables, net of allowances for doubtful account:	2,261	-	101,147	103,408
	Current investments				-
131	Investments - unrestricted	-			-
132	Investments - restricted				-
142	Prepaid expenses and other assets	6,275			6,275
143	Inventories				-
143.1	Allowance for obsolete inventories:				-
144	Interprogram - due from	152,647	-	-	152,647
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	1,000,691	321,457	101,147	1,423,295
	NONCURRENT ASSETS:				
	Fixed assets:				
161	Land	725,000			725,000
162	Buildings	6,299,325			6,299,325
163	Furniture, equipment & machinery - dwellings	31,815	-	-	31,815
164	Furniture, equipment & machinery - admininstrator	131,628	-	25,198	156,826
165	Leasehold improvements	6,507,144		436,134	6,943,278
166	Accumulated depreciation	(8,295,354)	-	(33,856)	(8,329,210)
160	Total fixed assets, net of accumulated depreciator	5,399,558	-	427,476	5,827,034
171	Notes and mortgages receivable - non-curren				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits				-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	5,399,558	-	427,476	5,827,034
190	TOTAL ASSETS	6,400,249	321,457	528,623	7,250,329

	<b>LIABILITIES AND EQUITY:</b>				
	<b>LIABILITIES:</b>				
	<b>CURRENT LIABILITIES</b>				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	25,143	1,000		26,143
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	50,063	-		50,063
322	Accrued compensated absences	7,718			7,718
324	Accrued contingency liability		-		-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs		255,325		255,325
332	Accounts Payable - PHA Projects				
333	Accounts payable - other government	27,912	-	-	27,912
341	Tenant security deposits	63,872			63,872
342	Deferred revenues	4,299	-	-	4,299
343	Current portion of Long-Term debt - capital projects	36,333			36,333
344	Current portion of Long-Term debt - operating borrowings				-
345	Other current liabilities	19,577			19,577
346	Accrued liabilities - other	-	-		-
347	Inter-program - due to	-	51,500	101,147	152,647
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>234,917</b>	<b>307,825</b>	<b>101,147</b>	<b>643,889</b>
	<b>NONCURRENT LIABILITIES:</b>				
351	Long-term debt, net of current- capital projects	164,518			164,518
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other	-			-
354	Accr. Comp. Absences- non current	69,464			69,464
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>233,982</b>	<b>-</b>	<b>-</b>	<b>233,982</b>
300	<b>TOTAL LIABILITIES</b>	<b>468,899</b>	<b>307,825</b>	<b>101,147</b>	<b>877,871</b>
	<b>EQUITY:</b>				
501	Investment in general fixed assets				-
	<b>Contributed Capital:</b>				
502	Project notes (HUD)	-			-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
507	Other contributions	-			-
508	Total Contributed Capital	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	5,198,707	-	427,476	5,626,183
	<b>Reserved fund balance:</b>				
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-
512.1	Unrestricted Net Assets	732,643	13,632	-	746,275
513	<b>TOTAL EQUITY</b>	<b>5,931,350</b>	<b>13,632</b>	<b>427,476</b>	<b>6,372,458</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,400,249</b>	<b>321,457</b>	<b>528,623</b>	<b>7,250,329</b>

- - - -



## Mt. Clemens Housing Commission

30-Jun-06

MI028

	Combining Income Statement	Low Rent 14.850	Section 8 New Construction	Capital Projects Funds 14.872	TOTAL
Line Item #				-	
	<b>REVENUE:</b>	-	-		
703	Net tenant rental revenue	610,248			610,248
704	Tenant revenue - other	21,385			21,385
705	Total tenant revenue	631,633	-	-	631,633
706	HUD PHA grants	607,080	1,849,527	414,885	2,871,492
708	Other government grants				-
711	Investment income - unrestricted	33,792	9,019	-	42,811
712	Mortgage interest income				-
714	Fraud recovery				-
715	Other revenue	48,946	-	-	48,946
716	Gain or loss on the sale of fixed assets	-			-
720	Investment income - restrictec				-
700	<b>TOTAL REVENUE</b>	1,321,451	1,858,546	414,885	3,594,882
	<b>EXPENSES:</b>				
	Administrative				
911	Administrative salaries	115,763	63,000	56,470	235,233
912	Auditing fees	5,750	-		5,750
913	Outside management fees				-
914	Compensated absences	5,290			5,290
915	Employee benefit contributions- administrative	74,827	29,500	-	104,327
916	Other operating- administrative	44,750	20,937	17,820	83,507
	Tenant services				
921	Tenant services - salaries				-
922	Relocation costs	-			-
923	Employee benefit contributions- tenant services				-
924	Tenant services - other	(50)			(50)
	Utilities				
931	Water	112,688			112,688
932	Electricity	69,287			69,287
933	Gas	96,101			96,101
934	Fuel				-
935	Labor				-
937	Employee benefit contributions- utilities				-
938	Other utilities expense	-			-
	Ordinary maintenance & operation				
941	Ordinary maintenance and operations - labor	179,558			179,558
942	Ordinary maintenance and operations - materials & other	65,667		-	65,667
943	Ordinary maintenance and operations - contract costs	359,762		7,808	367,570
945	Employee benefit contributions- ordinary maintenance	117,038			117,038
	Protective services				



MT. CLEMENS HOUSING COMMISSION  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3047 Operating Subsidies	\$ <u>607,080</u>
* <u>CFDA 14.182 Housing Assistance Programs</u>	
C-3190 Section 8 New Construction	\$ <u>1,849,527</u>
* <u>CFDA 14.872 Capital Fund Program</u>	
C-3047 Capital Projects Funds	\$ <u>414,885</u>
	\$ <u>2,871,492</u>

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 20,722,800
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	25,000
Worker's Compensation and other riders: coverage's required by the State of Michigan	

\*Connotes Major Program Category

MT. CLEMENS HOUSING COMMISSION  
Status of Prior Audit Findings  
June 30, 2006

The prior audit of the Mt. Clemens Housing Commission for the period ended June 30, 2005, contained four audit findings. The corrective action taken by the Commission is as follows:

- 1) Tenant Accounting Discrepancies- The issues that created the finding have been corrected.

MT. CLEMENS HOUSING COMMISSION  
Report on Compliance Applicable with Requirements to  
Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133  
June 30, 2006

Compliance

I have audited the compliance of Mt. Clemens Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Mt. Clemens Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mt. Clemens Housing Commission's management. My responsibility is to express an opinion on Mt. Clemens Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mt. Clemens Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Mt. Clemens Housing Commission's compliance with those requirements.

In my opinion, Mt. Clemens Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control over Compliance

The management of Mt. Clemens Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Mt. Clemens Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

November 3, 2006

MT CLEMENS HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
June 30, 2006

I have audited the financial statements of Mt. Clemens Housing Commission, Mt. Clemens, Michigan, as of and for the year ended June 30, 2006, and have issued my report thereon dated November 3, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mt. Clemens Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mt. Clemens Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Mt. Clemens Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

November 3, 2006

MT. CLEMENS HOUSING COMMISSION  
Schedule of Findings and Questioned Cost  
June 30, 2006

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
Housing Assistance Program	X	
Capital Projects Funds	X	

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X No
Reportable condition(s) noted	_____ Yes	_____ X No
Non Compliance material to financial statements noted	_____ Yes	_____ X No

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X No
Reportable condition(s) noted	_____ Yes	_____ X No
Non Compliance material to financial statements noted	_____ Yes	_____ X No



Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Public and Indian Housing	Yes	None	N/A
Housing Assistance Program	Yes	None	N/A
Capital Fund Projects	Yes	None	N/A